MINUTES
of the
THIRD MEETING
of the
NEW MEXICO FINANCE AUTHORITY OVERSIGHT COMMITTEE

September 30-October 2, 2013
Barbara Hubbard Room
Pan American Center
New Mexico State University
Las Cruces

The third meeting of the New Mexico Finance Authority (NMFA) Oversight Committee was called to order by Representative Patricia A. Lundstrom, chair, on Monday, September 30, 2013, at 9:15 a.m. at the Barbara Hubbard Room of the Pan American Center at New Mexico State University (NMSU) in Las Cruces.

Present
Rep. Patricia A. Lundstrom, Chair
Rep. Joseph Cervantes, Vice Chair
Rep. Alonzo Baldonado
Rep. Ernest H. Chavez
Sen. Lee S. Cotter
Sen. Ron Griggs
Rep. Jimmie C. Hall
Rep. Dona G. Irwin
Sen. Michael Padilla
Rep. Jane E. Powdrell-Culbert
Rep. Debbie A. Rodella
Sen. William P. Soules
Rep. James P. White

Absent
Rep. Candy Spence Ezzell
Rep. Roberto "Bobby" J. Gonzales
Sen. Phil A. Griego
Sen. John C. Ryan
Rep. Henry Kiki Saavedra
Rep. James R.J. Strickler

Advisory Members
Sen. Sue Wilson Beffort
Sen. Jacob R. Candelaria
Rep. Sharon Clahchischilliage
Rep. Anna M. Crook
Rep. Kelly K. Fajardo
Rep. Mary Helen Garcia
Rep. Yvette Herrell
Sen. Timothy M. Keller
Sen. Mary Kay Papen
Sen. John Pinto
Rep. Sheryl Williams Stapleton
Rep. Brian F. Egolf, Jr.
Sen. Stuart Ingle
Rep. Emily Kane
Rep. W. Ken Martinez
Sen. George K. Munoz
Sen. Bill B. O'Neill
Sen. William H. Payne
Sen. Nancy Rodriguez
Sen. Clemente Sanchez
Rep. Edward C. Sandoval
Rep. Thomas C. Taylor

Rep. Monica Youngblood

Staff
Lisa Sullivan, Staff Attorney, Legislative Council Service (LCS)
Tessa Ryan, Staff Attorney, LCS
Alexandria Tapia, Research Assistant, LCS

Guests

The guest list is in the meeting file.

Handouts

Handouts are in the meeting file and posted online at http://www.nmlegis.gov/lcs/committee_handout_list.aspx?CommitteeCode=NMFA&Date=9/30/2013.

Monday, September 30

Representative Lundstrom welcomed all present, recognized the presence of former state representative Andy Nuñez and announced that Senator Cervantes would help to chair the meeting.

Welcome from Las Cruces

Dan Howard, executive vice president and provost of NMSU, and Wayne D. Hancock, vice chair of the Doña Ana County Board of Commissioners, welcomed the committee to Las Cruces.

Update on NMFA Board Actions, NMFA Bond Issuances and Filling Vacancies

John Gasparich, acting chief executive officer (CEO), NMFA, updated the committee on the status of the NMFA board and the open CEO and internal auditor positions in the NMFA.

Mr. Gasparich informed the committee that Nann Winter, NMFA board chair, will leave the board on December 1. The governor will appoint her replacement. Paul Gutierrez, who is also leaving, will be replaced by Steve Kopelman of the New Mexico Association of Counties.

The NMFA board subcommittee spearheading the search for a CEO will meet with the recruiter this week. Ms. Winter has indicated to Mr. Gasparich that some action — on either a single candidate or multiple candidates — will be taken at the board's October meeting. Meanwhile, the search for an internal auditor has yielded no qualified candidate. If an internal auditor is not recruited in the reasonably foreseeable future, then the NMFA will contract with an accounting firm to conduct internal audit services.

Mr. Gasparich and Michael Zavelle, NMFA chief financial strategist, gave an overview of and answered questions on the most recent bond issuances. Two issuances totaling $33.5 million are to be sold in October. The first (series 2013B, negotiated sale of about $17.5 million) will be tax-exempt, senior lien Public Project Revolving Fund (PPRF) revenue bonds with a 10-year call provision. The second will have two tranches. Both tranches will be subordinate lien, PPRF revenue bonds subject to five-year call provisions. The first (series 2013C-1, negotiated sale of about $4 million) will be tax-exempt. The second (series 2013C-2, negotiated sale of about $12 million) will be taxable. The second issue is not subject to the standard 10-year call provision because of the special repayment and cancellation provisions of the revenues that secure them. Standard and Poor's and Moody's will rate the issuances.

At a committee member's request, Mr. Gasparich agreed to present to the committee at its next meeting an update of the corrective actions that the NMFA has taken in response to reports produced in the wake of the fraudulent-audit discovery.

Approval of Minutes

Upon a motion made and seconded, the minutes of the August meeting were approved.

Public Project Revolving Funds for Charter School Lease Purchases

Three presenters informed the committee about charter school lease-purchase arrangements for education building occupancy.

Hipolito "Paul" J. Aguilar, deputy secretary of finance and operations for the Public Education Department (PED), gave some background on charter school lease-purchase arrangements and noted some of the PED's related concerns. School districts and charter schools may enter into these arrangements subject to certain provisions: the school district or charter school must have no obligation to continue the lease or purchase of the building; and the lease must terminate if the leasing entity cannot make current lease payments. Many charter schools take advantage of the lease-purchase mechanism because they cannot tax (they lack the capacity to raise a "local share" of money to match state contributions — and legislation that addressed this issue expired) and they have a limited number of funding streams.

Mr. Aguilar said that a law provides that, as of July 1, 2015, a new charter school must meet at least one new criterion: 1) the school occupies a public building; 2) the school is involved in a lease-purchase arrangement; or 3) the school's building meets certain educational occupancy standards. Charter schools due for renewal after that date must meet at least one of those criteria at the time of renewal. Mr. Aguilar indicated that the most attractive and feasible option for most charter schools is the second of these options, the lease-purchase arrangement.

Mr. Aguilar noted the following concerns of the PED: in ordinary (non-lease-purchase) leases, state resources are being used to make improvements to privately owned buildings in which the state reaps no investment value; in the case of state-chartered charter schools whose charters are revoked or not renewed, the building asset reverts to the state; funding for charter schools is unstable; and potential lenders to charter schools face high risks. In response to some of these issues, a coalition of charter schools entered into a joint powers agreement with the Department of Finance and Administration to form a cooperative purchasing consortium, with the authority as a governmental entity, to have buildings built for charter school use and to reassign a building vacated by a charter school to another charter school. The chair requested that the PED provide a copy of this agreement to the committee.

Charles Sallee, deputy director of the Legislative Finance Committee (LFC), presented a handout highlighting the findings of an LFC report on charter school facilities that was released in January 2013. The LFC evaluated charter school leases and charter school facility budgeting and planning. Its key findings were that charter schools pay excessive, unnecessary lease costs at taxpayers' expense and that there are deficiencies in the oversight of and planning by charter schools. Mr. Sallee noted that there has been rapid growth in the number of charter schools, which often occupy unconventional spaces, and in the amount of lease-assistance awards. In some cases, the costs of charter school leases are driven up by subleasing intermediaries that lease buildings from governmental entities for a nominal amount and then sublease to charter schools for thousands of dollars. In these cases, taxpayers pay twice for a public building, and the aim of the state equalization guarantee is thwarted. Of further concern, a majority of charter schools use operational fund money for lease payments, and there is too little attention paid to potential conflicts of interest in the charter school approval process. Mr. Sallee added that charter schools would benefit from more guidance from the Public School Facilities Authority (PSFA). Legislation proposed but not enacted last session would have required the PSFA to offer this assistance and tightened the charter school approval process.

Mr. Sallee summarized the LFC's recommendations. Recommended statutory changes include: 1) making more stringent the building-related requirements of new and relocating charter schools; and 2) requiring Public School Capitol Outlay Council (PSCOC) pre-approval of lease-payment amounts. The LFC report also contains several recommendations for the PSCOC and the PSFA to implement in order to remedy some of the issues identified in the report.

Mr. Zavelle offered a handout on the use of the PPRF for charter school lease purchases. Typically, PPRF loans are made in connection with enduring revenue sources that offer a margin of safety (i.e., meet a minimum debt-service requirement), which most charter schools would have difficulty demonstrating. If the charter school defaults on its loan and the value of the building proffered as collateral is inadequate, then the PPRF will suffer a loss. Because of the high potential for loss, the NMFA has established policies (outlined for the committee by Marquita Russel, chief of programs for the NMFA) and has considered other measures to mitigate charter school-related risk to the PPRF. One idea, still in its nascent stage, is to establish a charter school purchase reserve fund. Ms. Russel indicated that the NMFA could also reduce risk by tightening its quantitative policies — those related to debt and revenue coverages and loan-to-value collateral ratios.

Responding to the three presenters' comments, committee members voiced concerns about:

- foundation and third-party involvement in subleasing arrangements and the potential for unethical self-dealing;

- the lack of a statutory prohibition on unethical self-dealing;
- some charter schools' impermanence; and some charter school board members' having insufficient stake in investments in which the state bears the burden of a default;
- using operating funds for facilities;
- taxpayers paying twice for buildings that have subleases;
- state-chartered charter school property that, upon default, reverts to the state and not the local school district;
- how some could analogize proliferative lease-purchase agreements as real-estate speculation; and
- the possibility that the state is leasing distressed buildings, improving them with state funds and then subleasing them at nominal costs to lessees.

Responding to the first concern, Mr. Aguilar said that foundations involved with charter schools, but not other third parties, are examined in yearly independent audits of those charter schools. Responding to the second concern, Mr. Sallee indicated that a bill to enact laws against such self-dealing was pocket-vetoed. Mr. Aguilar represented that that bill was vetoed because of opposition to its overall goal, not to its components. Responding to all of the committee members' concerns, Mr. Gasparich indicated that, although the NMFA does not advocate for any position on charter schools, it does aim to make sound financial decisions. Mr. Gasparich said that concerns raised at the committee meeting will be reported to the NMFA board.

Representative Lundstrom closed the discussion by asking that charter school funding-related legislation pursued by the LFC and the NMFA be presented to this committee for endorsement, since it affects the lending capacity of the NMFA. She also asked that Mr. Aguilar provide details on the rate paid by the charter school occupying an Albuquerque jail hall.

NMFA Funded Projects

Mr. Gasparich furnished a handout with current data on NMFA programs: the PPRF; the Water Project Fund; the Drinking Water State Revolving Loan Fund; the Local Government Planning Fund; the Colonias Infrastructure Project Fund; and economic development. He reviewed some of the programs' characteristics.

Some committee members who also serve on the Land Grant Committee asked whether a particular land grant entity with an incomplete water system project whose need was brought to that committee's attention could apply for NMFA assistance. Mr. Gasparich responded that the entity could apply and that someone from the NMFA could contact the entity and follow up with its legislative representatives.

A committee member asked for elaboration of some content of the "Benefiting Colonia" columns on the handout pages pertaining to the Colonias Infrastructure Project Fund. The member remarked that many communities designated as colonias do not appear to be what are commonly understood as colonias and that the legislation establishing the program was not intended to benefit those types of communities. Rick Martinez, director of business development, NMFA, replied that all communities listed in the column meet the state's definition of colonia, which in part requires the community to have been designated a colonia before 1990 and that it have inadequate infrastructure. He added that the NMFA works closely with appropriate federal agencies that track communities' needs in order to avoid giving assistance to communities that are in less need.

A committee member asked about the effect, if any, of Executive Order 2013-006 on NMFA project funding. Mr. Martinez indicated that the NMFA's legal counsel interpreted the order to apply to projects receiving senior severance tax bond revenues and recommended for funding by the Water Trust Board. The member questioned the propriety of that interpretation and whether programs of the NMFA, a quasi-governmental, non-executive agency, should be subject to an executive order.

New Mexico Border Authority (NMBA) Budget and Update

William Mattiace, executive director, NMBA, and Erika De La O, deputy director, NMBA, provided a handout on the NMBA's current and planned projects. Mr. Mattiace and Ms. De La O noted that infrastructure to control flooding in Columbus is the NMBA's top fiscal year (FY) 2015 capital outlay priority. A study for the Santa Teresa-San Jeronimo rail bypass project, which would relocate the regional rail interchange with Mexico from downtown El Paso/Ciudad Juarez to Santa Teresa, has begun. The presenters cited the recent expansion of the Santa Teresa port of entry and highlighted other NMBA-related projects: a bi-national industrial campus; a dual customs clearance facility; and commercial lanes adjacent to the rail border crossing. Tom Church, secretary-designate of transportation, noted that the West Mesa Corridor-Santa Teresa to I-10/West Las Cruces project is in the first phase of a feasibility study.

The NMBA representatives presented a handout on the NMBA FY 2015 strategic plan. They noted that the NMBA has achieved many of its previously set goals, including increasing commerce at ports of entry, and that relations with Mexico, from their perspective, are positive.

A committee member asked about reports of wait times as long as four hours at the Santa Teresa border crossing that cause some traffic to shift to El Paso, thereby harming commerce. Mr. Mattiace and Ms. De La O explained that the slowdowns are largely attributable to federal budget cuts, inadequate infrastructure on the Mexican side of the border and the need for an additional entomologist at the site; these and many other contributing factors are beyond the state's control.

Proposed Legislation

Senators Keller and Candelaria and Mr. Martinez distributed bill-related materials to the committee to gather the committee's input and consider bills for endorsement at a future meeting.

<u>NMFA Governance Changes</u>

Senator Keller discussed resuscitating vetoed Senate Bill (SB) 12, which was endorsed by the committee last interim and introduced by Representative White and Senator Keller in the previous session. Senator Keller reviewed SB 12 and its veto message and solicited the committee's input on an approach to pursue the same or similar legislation. Among other measures, SB 12 would have: diversified the entities making appointments to the NMFA board by giving the legislature some appointment power; required that at least one member of the board be a certified public accountant; provided that the board chair be chosen by board members; increased board meeting transparency and opportunities for public involvement; addressed conflicts of interest; required an orientation for new members; required that the board establish work plans; and prohibited designee representation.

Senator Keller noted that the bill largely reflects the recommendations, related to NMFA board governance, of an investigative firm retained after discovery of the fraudulent audit. He commented that the governor likely vetoed the bill because it would have curtailed executive branch power by removing the ex-officio appointments of four cabinet secretaries. A committee member remarked that when cabinet secretaries are too busy to attend meetings — as has been widely evidenced — there is a de facto loss of executive power.

Senator Keller stated that the committee could choose: 1) not to endorse a new version of SB 12 or any version of it; 2) to endorse the bill for reintroduction; 3) to endorse a revised version of the bill (e.g., one that excludes appointment-related changes or one that would continue to allow designee representation); or 4) to support an attempted veto override.

Change to the Definition of "Colonia"

Senator Candelaria presented a draft of a bill that, for purposes of the Colonias Infrastructure Act, would designate as a "colonia" a community that otherwise meets the definition but is located beyond 150 miles of the United States-Mexico border. If the bill passed, these communities would be eligible to receive financing from the Colonias Infrastructure Project Fund.

Senator Candelaria explained that he is bringing forward the idea because, in discussions with this committee and the interim Economic and Rural Development Committee, he has learned that there are ineligible colonia-like communities throughout the state. The original legislation was modeled on federal law, which includes the 150-mile restriction and, according to Senator Candelaria, arbitrarily excludes some deserving communities.

Several committee members affirmed that there are many such communities deserving of state resources to help with basic infrastructure needs and that the bill redresses a fundamental inequity. Other committee members expressed reservations about that bill, commenting that: it would be premature to amend the relatively new Colonias Infrastructure Act; if the act were amended, it would be difficult to later re-impose the 150-mile restriction; the committee should consider the number of communities that would be brought into the definition; and the bill would dilute the legislatively hard-fought amount of money available to communities currently meeting the definition. Committee members asked whether other states have changed the designation as this bill proposes to do and whether the bill would interfere with the leveraging of federal money.

A member proposed that the statutory distribution to the fund be raised to reduce competition among funding applicants.

Representative Lundstrom requested committee staff to draft a bill for the committee's consideration that would dedicate funding for infrastructure projects of colonia-like communities that are ineligible for assistance through the Colonias Infrastructure Project Fund or the Tribal Infrastructure Project Fund.

NMFA-Proposed Legislation

Mr. Martinez presented drafts of two bills for the committee's consideration: one that would authorize the NMFA to issue loans from the PPRF for public projects for enumerated entities and one that would appropriate $2 million to the Local Government Planning Fund. Concerning the former, Mr. Martinez noted that a version of the bill is introduced every three years and that some projects are absent from the bill because authorization is outstanding. Some committee members pointed out that projects can be removed from the bill because the need for them no longer exists.

Water Project Fund Applicants

Ms. Russel updated the committee on Water Project Fund applications, citing figures from a related handout and noting that the number of applications submitted (124) and the total amount requested (almost $143 million) represent significant increases. Mr. Martinez reported that about $36 million will be available for awards, approximately the same amount as was distributed last year.

Union Pacific Corporation Site Economic Development and Infrastructure Plans

Raquel Espinoza, director of corporate relations and media for the Union Pacific Corporation, reported on the progress of the Union Pacific facility in Santa Teresa. Ms. Espinoza described the planned facility as a runway with train tracks that will enable the efficient sorting of freight. Much of this freight will originate in the Pacific Rim, be sorted at the facility, then get shipped to California.

Ms. Espinoza reviewed the project's planned time line: phase one of construction is complete; phase two of construction continues; and the fueling facility and intermodal ramp will be complete in 2014 if certain contingencies occur. At present, the Department of Transportation (DOT) is working on the road, and a housing development and hotel are to be built near the site.

Ms. Espinoza emphasized that the project has spurred economic development in the area, and that when finished, the facility will continue to generate spending. The crew-change component will encourage spending in hotels and restaurants.

Fred Ocheskey, a lobbyist for the Union Pacific Corporation, joined Ms. Espinoza in responding to committee members' questions about accountability to the state and the project's impact on local employment. The corporation is required annually to report data about the number of workers from New Mexico and the project's economic impacts. According to Mr. Ocheskey, the law does not establish jobs-related quotas, but the corporation has worked and continues working on recruiting New Mexico-based contractors and creating jobs for New Mexicans to fill. The corporation has spent $40 million on New Mexico-based subcontractors. Committee members nevertheless expressed concern that Texas is reaping and will reap much of the project's benefits because of the site's proximity to El Paso, a commercial hub and metropolitan center.

Recess

With no further business for the day, the meeting recessed at 4:30 p.m.

Tuesday, October 1

Representative Lundstrom reconvened the meeting at 8:39 a.m.

Presentation to Energy Transmission Working Group

Former New Mexico Governor Toney Anaya and Phillip G. Harris, CEO of Tres Amigas, LLC, summarized the transmission project concept that they presented at the previous meeting and their requests of the legislature for moving the project forward. David Abbey, director, LFC, Don Britt, assistant counsel, State Land Office (SLO), Secretary-Designate Church, Jeremy Turner, executive director, New Mexico Renewable Energy Transmission Authority, Loren Hatch, general counsel, DOT, Hugh Perry, assistant general counsel, DOT, Shawn Chafins, utility unit supervisor, DOT, Clinton Turner, chief economist, DOT, and Ron Noedel, right-of-way bureau chief, DOT, also contributed to the discussion and answered committee members' questions.

Governor Anaya explained that the proposed New Mexico Express is a transmission project to increase electricity transmission capacity in which the state could be involved. The New Mexico Express would fill a transmission-line gap between markets using buried high-voltage, direct-current (HVDC) lines, thereby making it possible for developers to profit from tapping the state's rich supply of renewable resources. Mr. Harris noted that the benefits of buried HVDC technology, used widely in other countries, include that it generates less public opposition by being out of sight.

Mr. Harris cited three options for the proposed line's development: 1) use existing transmission line rights of way; 2) get permits to use the state highway system's rights of way; and 3) use railroad rights of way. Under the second option, the state could participate and capture some of the project's revenue potential by charging a user fee. Mr. Harris has been negotiating with railroad representatives on the third option.

Governor Anaya and Mr. Harris summarized their current requests of the state: 1) statutory endorsement of a policy to encourage underground transmission capacity growth; 2) guidance from the DOT as to what laws would need to be enacted in order to ensure that the proposed project be implemented quickly; and 3) guidance from the Public Regulation Commission (PRC) on whether, in order to allow existing easements to be used for underground lines, PRC-related laws would need to be changed.

Secretary-Designate Church and members of his staff discussed some applicable laws and practical considerations of the New Mexico Express using the state highway system's rights of way. Mr. Noedel indicated that the DOT owns in fee simple some rights of way and has easements on other lands on which the transmission line might be buried. He and Mr. Chafins described the permitting process; in essence, the utility must get permission from the DOT and any entity owning the land on which the right of way is sought, and it must comply with DOT installation prescriptions. Mr. Perry said that state law generally embraces a policy of accommodating utilities but that federal approval (if required) might be harder to win. Mr. Hatch added that the project would likely require statutory and rule changes, including some to reflect the needs for a fee schedule and revenue repository. Further, since permitting is generally accomplished by the district offices and since this line would occupy land in three or four districts, the process would require unity of district efforts. Clinton Turner added that, since the DOT does not charge utilities for use of its rights of way, it has no fee-charging reference and would rely on the SLO for guidance on setting a schedule.

Mr. Britt indicated that the SLO has a schedule of fees for use of rights of way on state trust land. Since many state highways are on state trust land, some of these fees would be assessed.

Mr. Abbey commented on the fiscal impact of the project's use of state highway rights of way. Much would depend on the DOT's approach to valuation of the rights of way (at present, it is using an outdated model, according to Mr. Abbey); whether the project sought federal or state rights of way; and other issues listed in a handout that he distributed. He suggested that the appropriate next step would be to ask the DOT to propose a fee schedule like that of the SLO. DOT representatives suggested that, unlike the SLO, the DOT is not tasked with generating a profit from state lands.

Jeremy Turner suggested that the committee look more closely at the definition of "utility" and consider what impact charging a fee for underground lines would have on other projects — such as overhead lines — that use the state's rights of way.

Patrick H. Lyons, public regulation commissioner for district two, endorsed the concept outlined by Tres Amigas representatives, noting the proposed line's many potentially beneficial effects. With the line underground, controversy such as that stirred by the SunZia project and the risk of wildfire ignition from fallen power lines would be averted.

Committee members commented that the project appears to have job-creation and revenue-generation potential (acutely needed for the State Road Fund) and to be feasible to implement — particularly if use of federal highway rights of way is avoided. Representative

Lundstrom requested that staff work with the DOT, the PRC, the SLO and Mr. Abbey on a draft of proposed legislation that would help the New Mexico Express to move forward.

Spaceport Authority (SA) Budget, Economic Development Plan and Update

Christine Anderson, executive director, Ben Woods, board member, and Aaron Prescott, business operations manager, SA, gave a presentation and handouts on the SA's status, budget and economic development plan.

Ms. Anderson's comments included the following points.

- The goal in spaceport development was to create a self-contained "city".
- All phase one projects are complete. Phase two projects are under way. The operations center will be finished soon.
- Virgin Galactic, the spaceport's anchor tenant, is renting space. It continues testing in the Mojave Desert and recently launched a passenger-less test flight there.
- The recently passed informed consent legislation is attracting customers.
- UP Aerospace has launched several flights. A new tenant, SpaceX, signed a three-year lease in April.
- The SA's business model centers on launch space and tourism. Efforts to attract tourists include offering a fun, educational visitor experience. An off-site spaceport visitor center, shuttles to the spaceport and an on-site visitor center with a 3-D theater will help to facilitate that experience.
- The SA partners with the Tourism Department. Exhibits at the visitor center will showcase a revolving selection of other parts of the state.
- A request for proposals for a visitor center in Hatch yielded no viable site. The SA continues discussions to find a site.
- The SA has two budgets: a construction/pre-operation budget and an operational budget. The SA is moving toward its goal of becoming more self-supporting and having only an operational budget.
- The SA has $212 million in outstanding bonds.
- Certain of the SA's assumptions for its operating budget calculations were wrong, so it took measures to conserve resources, such as cross-training employees to function as both security guards and firefighters.
- Construction and maintenance for the southern road to the spaceport, which if improved would make transportation for workers from Las Cruces much easier, have been arranged.
- The SA is requesting an FY 2015 budget appropriation approximately equal to that of FY 2014: $460,000. SA revenues constitute the remainder of its total annual spending, which is about $7.6 million.
- In FY 2015, the SA will replace several of its contractors with full-time employees, thereby reducing costs.
- Major revenue sources for FY 2015 would include Virgin Galactic operational flights, leases and rents, tourist activity and excess pledged revenue.
- The SA, with the help of Team IDEAS, is seeking sponsors for various assets.

Ms. Anderson reviewed the SA's marketing and outreach efforts and the past year's public engagements and media interviews and tours. She reviewed the SA's economic contributions to the state to date, projected jobs-creation levels and strategic business plan goals.

A committee member inquired whether the money allocated for educational purposes from the Doña Ana and Sierra counties gross receipts taxes assessed to support spaceport development was being used as intended — for science and mathematics programming. Ms. Anderson responded that the SA does not oversee how that money is used. Another committee member inquired whether the distribution of gross receipts tax proceeds to schools located in only Doña Ana and Sierra counties would run afoul of the principles behind the state equalization guarantee.

Other committee members commented on the importance of the SA: stimulating development in Doña Ana County; ensuring that the southern road is improved to withstand heavy use — even if that improvement would cost the state more; having the statewide capital outlay fund bear the cost of that improvement, since the spaceport is a state-sponsored project; and comparing SA performance measures with those of other spaceports.

Some committee members expressed concerns about: Virgin Galactic's level of commitment to the spaceport; when viewed as a business model, the low return on investment inherent in the SA undertaking; whether the project is resulting in New Mexico job creation; whether the spaceport is otherwise spurring economic development; and competition from the Mojave Desert spaceport in vying for Virgin Galactic's business. Ms. Anderson responded that the spaceport has certain advantages over others in that the surrounding area has low population density, a higher-altitude flight is allowed and White Sands Missile Range is in its proximity.

Representative Lundstrom asked Ms. Anderson to return to the committee at a future meeting to present more detail on the SA budget, the SA's need for additional full-time employees, the SA's short-term strategic economic development goals and relevant data supporting the appropriation request and the impact of the informed consent legislation.

Tour of Union Pacific

The committee toured the Union Pacific facility, which is under construction, near the Santa Teresa port of entry.

Wednesday, October 2

Tour of Spaceport America

The committee went on a tour of Spaceport America. The tour included a visit to the future command center and the spacecraft hangar and a drive down the horizontal-launch runway. Committee members viewed the emergency response vehicles housed in the command center and the future location of the on-site spaceport visitor center.

Adjournment

The meeting adjourned at 12:20 p.m.